

Message Text

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ACTION STR-07

INFO OCT-01 STRE-00 ISO-00 AID-05 CEA-01 CIAE-00
COME-00 EB-08 EA-10 EUR-12 FRB-03 INR-10 IO-13
NEA-10 NSAE-00 ICA-11 OPIC-03 SP-02 TRSE-00
LAB-04 SIL-01 AGRE-00 OMB-01 SS-15 INT-05 H-01
/123 W

-----076405 102014Z /66

P 101917Z JUL 78
FM USMISSION GENEVA
TO SECSTATE WASHDC PRIORITY 1850
INFO AMEMBASSY BRUSSELS
AMEMBASSY PARIS
AMEMBASSY TOKYO

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USMTN, USEEC, USOECD

ACTION STR PASS ELECTRICALLY
STR PASS CODEL

E.O. 11652 N/A
TAGS: ETRD, EEC, JA, MTN
SUBJECT: DRAFT RESOLUTION ON STEEL

REF: STATE 165873

1. US, EC AND JAPAN MET JULY 9 TO RESOLVE OUTSTANDING
ISSUES IN DRAFT RESOLUTION ON STEEL. TENTATIVE AGREEMENT
WAS REACHED ON ALL OUTSTANDING ISSUES IN DRAFT TEXT EXCEPT
FOR PARA THREE UNDER SECTION ON INITIAL COMMITMENTS AND
SUBJECT TO EC COMMISSION'S FURTHER DISCUSSION WITH MEMBER
STATES. COMMISSION WILL MEET WITH MEMBER STATES ON TUES-
DAY, JULY 11 AND WITH COREPER ON THURSDAY, JULY 13 BY WHICH
TIME WE HOPE TO BE ABLE CONFIRM US-EC-JAPANESE ACCEPTANCE
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OF DRAFT TEXT FOR CIRCULATION BY OECD SECRETARIAT ON ITS
OWN AUTHORITY TO MEMBERS OF AD HOC STEEL GROUP. WE ARE
TENTATIVELY PLANNING MEETING OF OECD AD HOC STEEL GROUP
EITHER LAST WEEK OF JULY OR FIRST WEEK OF AUGUST.

2. FOLLOWING CHANGES MADE IN TEXT WHICH RESULTED FROM LAST
TRILATERAL MEETING:

A. IN SECOND TICK UNDER PROBLEMS, EC COMMISSION WILL ATTEMPT CONVINCE MEMBER STATES TO ACCEPT "UNJUSTIFIABLY" ON GROUNDS IT WAS ALREADY AGREED AT THE TIME OF NOVEMBER OECD DECLARATION.

B. IN FIRST TICK UNDER OBJECTIVES, EC INSISTED ON DELETION OF "FAIR" TRADE. US COUNTERPROPOSED "TRADE IN STEEL WILL REMAIN AS UNRESTRICTED AND FREE OF DISTORTION AS POSSIBLE." COMMISSION WILL TRY TO SELL THIS TO MEMBER STATES.

C. IN PARA TWO OF SECTION ON COMMITTEE FUNCTIONS, EC AND JAPAN ACCEPTED US SUGGESTION OF "INPUT COSTS" TO REPLACE "PRODUCTION COSTS."

D. IN PARA FOUR OF SAME SECTION, EC OBJECTED TO IDEA THAT STEEL COMMITTEE COULD ASSESS CONSISTENCY OF TRADE ACTIONS TO PARTICIPANT'S GATT OBLIGATIONS. EC ACCEPTED FOLLOWING US PROPOSAL: "REGULARLY REVIEW GOVERNMENT POLICIES AND ACTIONS IN THE STEEL SECTOR TO ASSESS THEIR APPROPRIATENESS IN THE LIGHT OF THE CURRENT SITUATION, AGREED MULTILATERAL OBJECTIVES AND GUIDELINES, THE GATT OR OTHER INTERNATIONAL AGREEMENTS."

E. EC ACCEPTED US PROPOSAL (REFTEL) FOR CHANGE IN LIMITED OFFICIAL USE

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SECTION ON PARTICIPATION (MEMBERSHIP). HOWEVER, EC LEFT OPEN POSSIBILITY OF CHANGING LANGUAGE SO AS TO DELETE REFERENCE IN FIRST SENTENCE TO "INVITED NON-OECD COUNTRIES" WHILE CHANGING SECOND SENTENCE TO "THE COMMITTEE WILL DECIDE" WHEN TO INVITE NON-OECD COUNTRIES. EITHER ALTERNATIVE IS ACCEPTABLE TO US.

F. UNDER PARA TWO OF THE INITIAL COMMITMENTS SECTION, EC AND JAPAN ACCEPTED SUBSTITUTION OF "PRACTICABLE" FOR "POSSIBLE" AND AT EC'S SUGGESTION, THE CLAUSE "AND APPROPRIATE TO THE CAUSES WHICH LED TO THEIR INTRODUCTION" WAS ADDED.

G. ON PARA THREE OF SAME SECTION, EC ADAMANTLY REFUSED TO ACCEPT AN UNQUALIFIED COMMITMENT TO REPORT ALL TRADE ACTIONS TO THE GATT. EC, WITH JAPANESE SUPPORT, ALSO WANTS TO RESTRICT REPORTING OF VOLUNTARY EXPORT RESTRICTIONS TO STEEL COMMITTEE TO THOSE REQUESTED BY ANOTHER COMMITTEE PARTICIPANT. THIS IS CONSISTENT WITH EC POSITION ON SAME ISSUE IN MTN SAFEGUARDS NEGOTIATION. AFTER LENGTHY DISCUSSION FOLLOWING BRACKETED LANGUAGE RESULTED AND LEFT FOR FURTHER DISCUSSION: "ALL ACTIONS, (INCLUDING, UPON

REQUEST, VOLUNTARY RESTRAINT AGREEMENTS) SHOULD BE REPORTED PROMPTLY TO THE STEEL COMMITTEE (AND IN CONFORMITY WITH GATT RULES TO THE GATT). IN SECOND SENTENCE OF EXISTING TEXT "PERIODICALLY" WAS SUBSTITUTED FOR "REGULARLY." ADDITIONAL SENTENCE ON CONSULTATION PROPOSED BY US (REFTEL) WAS ACCEPTED.

H. SINCE DIFFERENCES IN PARA THREE ARE UNRESOLVED, ALL OF PARA FOUR UNDER INITIAL COMMITMENTS REMAINS IN BRACKETS. HOWEVER, ADDITION OF PHRASE "ESTABLISHED UNDER NORMAL CONDITIONS OF COMPETITION" PROPOSED BY US (REFTEL) WAS ACCEPTED.

I. IT WAS AGREED DELETE PARAS SEVEN, EIGHT, AND NINE OF

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DRAFT.

J. EC CONTINUES HAVE DIFFICULTY WITH MEMBER STATES ON PARA B OF INITIAL COMMITMENT BUT COMMISSION IS PREPARED TO TRY TO SELL IT TO MEMBER STATES WITH DELETION PROPOSED BY US (REFTEL). IT WAS AGREED CHANGE "UNDERSTANDING" TO "CONSENSUS."

K. IT WAS AGREED DELETE "IN ORDER TO FACILITATE STRUC-

TURAL ADAPTATION" IN FIRST SENTENCE OF PARA C UNDER INITIAL COMMITMENTS.

L. EC SAID THERE IS UNANIMOUS MEMBER STATE OPPOSITION TO PARA THREE OF INITIAL COMMITMENTS OWING TO EC EXISTING CONTROLS ON SCRAP AND POSSIBILITY THE LANGUAGE IN THE FIRST SENTENCE COULD BE INTERPRETED TO JUSTIFY CONTROLS ON LIMITED OFFICIAL USE

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OTHER MATERIALS SUCH AS COBALT. IT WAS AGREED TO DELETE THE FIRST SENTENCE OF (E) BUT TO RETAIN THE SECOND.

M. IT WAS AGREED TO DELETE THE FIRST PART OF THE INTRODUCTORY SENTENCE UNDER INITIAL WORK PROGRAM DOWN TO "WITH RESPECT." AT THE EC'S SUGGESTION, AN ADDITIONAL POINT WAS ADDED TO THE WORK PROGRAM, "EVOLUTION OF TRADE FLOWS AND THE IMPACT OF THEM ON GOVERNMENT MEASURES" AS THE FIRST POINT. US PROPOSAL TO ADD "GUIDELINES FOR STEEL TRADE ACTIONS" WAS ACCEPTED AS SECOND POINT.. OTHER POINTS REMAIN IN ORDER LISTED.

3. MISSION OECD IS AUTHORIZED INFORM WOOTEN OF SECRETARIAT OF ABOVE. REQUEST THAT HE TAKE NO STEPS TOWARD CONVENING NEXT AD HOC GROUP MEETING (PREFERABLY AUGUST 1, 2, OR 3) UNTIL CONFIRMATION FROM US TOWARD END OF THIS WEEK.
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